

## Message Text

LIMITED OFFICIAL USE

PAGE 01 MANILA 03386 01 OF 02 080851Z

ACTION TRSE-00

INFO OCT-01 EUR-12 EA-07 AF-08 ISO-00 NEA-10 IO-13 L-03  
H-01 PA-01 PRS-01 AID-05 CIAE-00 COME-00 EB-08 FRB-03  
INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02 LAB-04  
SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 AGRE-00 /124 W  
-----080910Z 068820 /14

R 080728Z MAR 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 6832

INFO AMEMBASSY RANGOON

AMEMBASSY BRUSSELS

LIMITED OFFICIAL USE SECTION 1 OF 2 MANILA 3386

USADB

FOR NAC AGENCIES

BRUSSELS FOR USMISSION EC

E.O. 11652: ADS, DECLAS 6/8/77

TAGS: EAID, EFIN

SUBJECT: PROPOSED ADB TECHNICAL ASSISTANCE (TA) GRANT TO  
BURMA FOR PALM OIL PROJECT

REF: (A) 76 MANILA 19081, (B) 76 MANILA 19981, (C) MANILA 2103

SUMMARY: ADMANAGEMENT PROPOSES \$215,000 TECHNICAL ASSISTANCE  
(92) GRANT TO THE GOVT OF BURMA FOR THE FORMULATION OF A PALM  
OIL PROJECT TO BE FINANCED UNDER THE FINANCING ARRANGEMENTS  
CONCLUDED WITH THE EUROPEAN ECONOMIC COMMUNITY (EEC) IN JAN  
1977. USADB RECOMMENDS FAVORABLE NAC ACTION. END SUMMARY.

1. ADB DOCUMENT NO. R20-77 DESCRIBING PROPOSED PROJECT POUCHED  
ADDRESSEES MARCH 4. BOARD CONSIDERATION SCHEDULED FOR MARCH 24.  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANILA 03386 01 OF 02 080851Z

2. EDIBLE OIL PRODUCTION IN BURMA, CONSISTING MAINLY OF  
GROUNDNUT AND SESAME OILS, HAS DECLINED SINCE 1970-71, OWING  
TO INEFFICIENT OPERATION OF PROCESSING MACHINERY CAUSED BY  
OBSOLETE MACHINERY AND EQUIPMENT AND LACK OF SPARE PARTS.  
OIL IMPORTS, MEANWHILE, HAVE BEEN COMPLETELY DISCONTINUED  
TO CONSERVE FOREX. AS RESULT, PER CAPITA OIL CONSUMPTION

HAS DECLINED FROM 5.52 KG. IN 1970-71 TO 3.5 KG. IN 1976, AS COMPARED TO AVERAGE CONSUMPTION LEVEL OF 6 KG. IN MOST OF BANK'S DMC'S. RESULTING PRICE INCREASE, TO ABOUT \$5.00/KG. EQUIVALENT PRESENTLY, HAS PUT OIL OUT OF REACH OF LOW INCOME GROUPS.

3. OIL PALM CULTIVATION IS ONLY ONE OF SEVERAL POSSIBILITIES FOR INCREASING OL PRODUCTION IN BURMA. IN FACT, SIZEABLE SHARE OF BANK'S 1974 LOAN FOR BURMA RICE PROCESSING INDUSTRIES PROJECT IS FOR REHABILITATION AND EXPANSION OF RICE BRAN OIL EXTRACTION AND REFINERY PLANTS. HOWEVER, OIL PALM CULTIVATION OFFERS SEVERAL ADVANTAGES IN COMPARISON WITH OTHER CROPS IN BURMA, I.E.: HIGHER YIELDS; SUITABLE TOPOGRAPHY AND SOIL CONDITIONS; RELATIVELY HIGH FARM INCOMES; AND, AS A PERENNIAL CROP, RELATIVE IMMUNITY TO FLUCTUATING PRICES AND WEATHER CONDITIONS.

4. PREVIOUS EFFORTS AT PALM OIL DEVELOPMENT IN BURMA HAVE EMULATED THE EXPERIENCES OF INDONESIA AND MALAYSIA, WHICH HAVE DIFFERENT ECOLOGICAL CONDITIONS. RESULTING YIELDS HAVE BEEN DISAPPOINTING. IN OCTOBER 1975, GOVT REQUESTED BANK ASSISTANCE FOR DEVELOPMENT OF AN OIL PALM PROJECT. PURSUANT TO RECOMMENDATION OF ENSUING BANK FINDING MISSION, BANK ENGAGED DUTCT CONSULTANT TO ASSESS ECOLOGICAL CONDITIONS AND THEIR IMPACT ON OIL PALM YIELD. CONSULTANT'S REPORT, COMPLETED IN CONSULTATION WITH BANK STAFF IN DECEMBER 1975, PROPOSED THAT FUTURE DEVELOPMENT SHOULD FOLLOW THE PATTERN OF WEST AFRICA WHICH, LIKE SOUTHERN BURMA, HAS A LENGTHY DRY SEASON (ROUGHLY MID-LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MANILA 03386 01 OF 02 080851Z

NOVEMBER TO EARLY APRIL), RATHER THAN THAT OF INDONESIA AND MALAYSIA WHERE RAINFALL IS FAIRLY CONSTANT THROUGHOUT THE YEAR. YIELDS COMPARABLE TO THOSE OF WEST AFRICA, I.E. 15-20 TONS/HA., ARE BELIEVED OBTAINABLE PROVIDED SOILS OF SUFFICIENTLY HIGH WATER-HOLDING CAPACITY ARE SELECTED.

5. WITH THESE CONSIDERATIONS IN MIND, POTENTIAL PROJECT AREAS HAVE BEEN LOCATED AT KYAIK HTO AND TAUNGNYO VALLEY IN MON STATE AND EGANI/PAGAWZON AND THAYET CHAUNG IN TENASSERIM DIVISION. EGANI/PAGAWZON IS SITE OF TWO CURRENTLY PRODUCING ESTATES COMPRISING TOGETHER ABOUT 715 HA. PROPOSED TA CALLS FOR FURTHER ANALYSIS OF SOIL CONDITIONS AT ALL PROJECT AREAS.

6. PROPOSED TA COMPRISES FOLLOWING THREE COMPONENTS:

(A) ASSISTANCE IN PREPARING DETAILED FIRST-PHASE INVESTMENT PROJECT AND AN OUTLINE ACTION PROGRAM FOR SECOND PHASE. TERMS OF REFERENCE FOR PREPARATION OF FIRST PHASE INCLUDE, INTER ALIA, EXPANSION/REHABILITATION OF

EGANI/PEGAWZON ESTATES, AND SELECTION OF ABOUT FOUR NUCLEUS  
ESTATES AND PREPARATION OF RELATED DEVELOPMENT PROGRAMS;

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 MANILA 03386 02 OF 02 080904Z  
ACTION TRSE-00

INFO OCT-01 EUR-12 EA-07 AF-08 ISO-00 NEA-10 IO-13 L-03  
H-01 PA-01 PRS-01 SP-02 USIA-06 AID-05 EB-08 NSC-05  
SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03  
INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 AGRE-00  
/124 W

-----080909Z 068998 /10

R 080728Z MAR 77  
FM AMEMBASSY MANILA  
TO SECSTATE WASHDC 6833  
INFO AMEMBASSY RANGOON  
AMEMBASSY BRUSSELS

LIMITED OFFICIAL USE SECTION 2 OF 2 MANILA 3386

USADB

FOR NAC AGENCIES

BRUSSELS FOR USMISSION EC

(B) TRAINING, IN WEST AFRICA, OF FIVE OR SIX STAFF  
OF AGRICULTURE AND FORESTS;

(C) PROCUREMENT OF SEED FOR FIRST YEAR'S REQUIREMENTS.

7. RESULTING LOAN PROJECT WOULD RAISE PALM OIL PRODUCTION  
BY 30,000 TONS AND PALM KERNEL OIL PRODUCTION BY 2,500 TONS  
PER YEAR, THEREBY REMOVING ABOUT ONE-THIRD OF BURMA'S  
PRESENT OILS AND FATS DEFICIT. NO EXPORTS WOULD  
RESULT NOR, SINCE BURMA HAS NOT RECENTLY IMPORTED EDIBLE  
OILS, WOULD THERE BE ANY IMPACT ON WORLD MARKETS THROUGH  
IMPORT-SUBSTITUTION. FOREX COST OF POSSIBLE FUTURE PROJECT,  
TO WHICH BANK NOT COMMITTED AT THIS TIME, ESTIMATED AT  
\$19 MILLION.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANILA 03386 02 OF 02 080904Z

8. AC, THE EXECUTING AGENCY FOR PROPOSED TA, HAS MANAGED AND OPERATED OIL PALM PLANTATIONS AT EGANI AND PAGAWZON SINCE 1971. IT IS BELIEVED WELL QUALIFIED BY VIRTUE OF ITS STAFFING AND FUNCTIONS, INCLUDING EXPERIENCE IN THIS AREA. AC WILL BE ASSISTED IN PROJECT IMPLEMENTATION BY APPROPRIATE GOVT DEPARTMENTS.

9. PROPOSED TA CALLS FOR 8.5 MAN-MONTHS OF CONSULTANT SERVICES WITH EXPERTISE IN FIELDS OF ECONOMICS, AGRONOMY, PALM OIL PROCESSING, AND CIVIL ENGINEERING. CONSULTANTS WILL BE MADE AVAILABLE FROM THE ROYAL TROPICAL INSTITUTE (RTI), AMSTERDAM, WHOSE MR. G. BLAAK UNDERTOOK THE PRE-FEASIBILITY ASSESSMENT. RETENTION OF RTI IS CONSIDERED APPROPRIATE IN VIEW THEIR CONSIDERABLE EXPERIENCE IN OIL PALM RESEARCH AND CULTIVATION UNDER SIMILAR ECOLOGICAL CONDITIONS, AS WELL AS PRIOR INVOLVEMENT IN THIS PROJECT.

10. PROPOSED TA PROVIDES FOR PROCURMENT OF ESTIMATED \$70,000 OF PLANTING MATERIAL TO MEET REQUIREMENT OF FIRST YEAR'S PLANTING PROGRAM OF PROJECT. EARLY PURCHASE BELIEVED NECESSARY IN VIEW PAS UNSATISFACTORY EXPERIENCE IN PROCUREMENT OF SEEDS AND TWO YEAR LEAD TIME FROM ORDERING OF SEEDS TO FIELD PLANTING. CONSULTANTS WILL MAKE NECESSARY ARRANGEMENTS FOR SEED PURCHASES, IN CONSULTATION WITH GOVT AND BANK.

1. FOREX COSTS OF PROPOSED TA, ESTIMATED AT \$215,000, WILL BE FINANCED BY THE EEC AS PART OF ITS \$1,875,000 PROGRAM OF TECHNICAL ASSISTANCE FOR BANK PROJECTS ANNOUNCED JAN 7, 1977 (SEE BOARD DOCUMENT IN 4-77 AND REFS (A) AND (B)). THIS IS THIRD PROJECT IN A TOTAL PROGRAM OF EIGHT APPROVED FOR FINANCING BY EEC UNDER ITS GRANT (INCLUDING TWO PROJECTS APPROVED BY ADB BOARD IN 1976 AND ACCEPTED BY EEC FOR INCLUSION SUBSEQUENTLY). GOVT OF BURMA HAS AGREED TO FINANCE AN ESTIMATED ADDITIONAL LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MANILA 03386 02 OF 02 080904Z

\$40,000 OF LOCAL COSTS.

12. IMPLEMENTATION OF PAL OIL PROJECT, WHICH IS ACCORDED HIGH PRIORITY BY BURMESE GOVT, WOULD SIGNIFICANTLY INCREASE DOMESTIC SUPPLY OF OILS AND FATS, THEREBY IMPROVING NUTRITIONAL STANDARDS OF POPULATION. IT WOULD, FURTHER, SIGNIFICANTLY INCREASE EMPLOYMENT AND INCOME OPPORTUNITIES FOR FARM FAMILIES IN PROJECT AREA. CONSIDERING FURTHER THE ABSENCE OF ANY IMPACT ON WORLD PRICES OF PALM

OIL, USADB SUPPORTS PROPOSAL AND RECOMMENDS FAVORABLE NAC  
ACTION. REQUEST AM EMBASSY RANGOON'S COMMENTS FOR NAC  
AGENCIES, INFO USADB MANILA, PURSUANT TO STATE 119795  
DATED 3 JULY 1972.  
SULLIVAN

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TECHNICAL ASSISTANCE GRANTS, VEGETABLE OILS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 08-Mar-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977MANILA03386  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** DG ALTERED  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770079-0114  
**Format:** TEL  
**From:** MANILA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770383/aaaacutb.tel  
**Line Count:** 229  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 6d32febb-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION TRSE  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 MANILA 19081, 76 MANILA 19981, 77 MANILA 2103  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 23-Nov-2004 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3178634  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PROPOSED ADB TECHNICAL ASSISTANCE (TA) GRANT TO BURMA FOR PALM OIL PROJECT  
**TAGS:** EAID, EFIN, BM, ADB  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odb://SAS/SAS.dbo.SAS\_Docs/6d32febb-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009